

SAPC 1083

1668 910

3461 090

413 000

1255
5055

1668 910

255

1418 910

316 090

3161 090

9483 270

May 16, 1955

3161 090

94833

3255923

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16279615

Dear Herb:

I have examined the source of the costs of providing each item on the list which I gave to you on April 27. This list describes the tasks which Perkin-Elmer is undertaking for you in as complete a fashion as was possible at that date. Below is a cost and price proposal which represents the best arrangement that the Perkin-Elmer Corporation could undertake for supplying the services and materials desired.

We have re-examined our policy with regard to the proper handling of the costs associated with subcontract administration and system responsibility. These we now propose to consider as a charge against our General and Administrative expenses. The amounts of such expenses are here computed at the previously negotiated rates.

We have re-examined our detailed costs as well and deleted all activities and items which could be so deleted without sacrificing the success of our endeavor. Because of the advanced state of the design on many of the projects, cost estimates can now be made with much greater accuracy than before. On the one hand the need for any protective rule of thumb estimating procedures can now be replaced by parts cost estimates in detail. On the other, however, the possibility of any material reduction of costs due to design simplification, performance requirement reduction or new approach has largely disappeared.

It is understood that costs, as determined by a commercial type audit, of 10% more than those quoted will be reimbursed and that 20% of any reduction of quoted Perkin-Elmer costs will be retained by Perkin-Elmer. Any costs savings at Hycon are retained 20% by Hycon and 15% by Perkin-Elmer.

I hope sincerely that you will find these prices acceptable.

Costs including purchases

(JGB at cost to PE)

G&A and selling expense @ 13%

\$1,319,802.

171,574.

1,491,376.

178,965.

\$1,670,341.

Profit at 12%

Price sub-total

Hycon - cost to PE

PE G&A @ 3%

3,631,000.

109,000.

3,740,000.

PE Profit @ 5%

Price sub-total

187,000.

3,927,000.

Price - Total

\$5,597,341.

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rms/dmg

May 18 1955

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of PE called on May 18. Stated their letter Agreement with Hycon expires on 21 May 1955 & requested advice as to whether or not they should extend it for another period of time pending results of our audit. I have been told to look it up & find out.